

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2499-01
BILL NO.: HB 1483
SUBJECT: Economic Development; Political Subdivisions.
TYPE: Original
DATE: February 8, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue		(\$60,911) to	(\$62,487) to
	(\$57,310)	(\$3,851,411)	(\$3,852,987)
Total Estimated Net Effect on <u>All</u> State Funds	(\$57,310)	(\$60,911) to (\$3,851,411)	(\$62,487) to (\$3,852,987)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal would increase the allowable size of the population in enterprise zones in non-metropolitan statistical areas by 25%, from 20,000 to 25,000. The DED assumes total state revenues will be reduced from this proposal since an indeterminable number of additional businesses will be allowed to be within enterprise zones and result in additional tax credits/income modifications. The amount can not be determined because the DED does not know which zones would be enlarged or how many businesses would qualify that had not previously been within the zone. The DED assumes this could result in a reduction of total state revenues in a range of \$0 to \$3,790,500.

The DED currently has three (3) people working with enterprise zone credits/income modifications and projects a 25% increase in work load from additional requests resulting from this proposal. The DED assumes the increase in work load will require one (1) additional Economic Development Specialist II (\$36,468) plus necessary expense and equipment to work with new/additional businesses applying for the credit/income modifications.

The number of enterprise zone projects for FY 1999 was 530. An estimated 25% increase would result in an additional 133 new projects, bringing the total to 663. The average cost for credits and income modifications claimed in FY 1999 was approximately \$28,500, therefore, the 133 new projects are estimated to lower total state revenues by \$3,790,500. The DED estimated the actual impact of businesses applying for the tax credit will be approximately half, or \$1,900,000.

Officials from the **Department of Revenue (DOR)** state this proposal increases the allowable population for enterprise zones not within a metropolitan statistical area from 20,000 to 25,000. The DOR assume this proposal could increase the number of enterprise zone credit filers, but they do not anticipate this increase to be significant. Therefore, they anticipate little or no administrative impact to their agency.

The **Office of Administration** assume this proposal will have no fiscal impact on their agency.

Oversight assumes the first applications to be approved by the Department of Economic Development will occur in calendar year 2001, which will fiscally impact state revenues when tax returns are filed in FY 2002. For purposes of this fiscal note, Oversight has estimated the impact the tax credits will have on total state revenues as a range.

This proposal would result in a decrease in Total State Revenues.

FISCAL IMPACT - State Government

FY 2001 FY 2002 FY 2003
 (10 Mo.)

GENERAL REVENUE FUND

Loss - General Revenue Fund

Tax credits for new businesses within an enterprise zone	\$0	\$0 to (\$3,790,500)	\$0 to (\$3,790,500)
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Cost - Department of Economic Development

Personal Service (1 FTE)	(\$31,137)	(\$38,314)	(\$39,272)
Fringe Benefits	(\$9,575)	(\$11,782)	(\$12,076)
Expense and equipment	(\$16,598)	(\$10,815)	(\$11,139)
Total <u>Cost</u> - DED	<u>(\$57,310)</u>	<u>(\$60,911)</u>	<u>(\$62,487)</u>

**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

	(\$60,911) to	(\$62,487) to
	<u>(\$57,310)</u>	<u>(\$3,851,411)</u>
		<u>(\$3,852,987)</u>

FISCAL IMPACT - Local Government

FY 2001 FY 2002 FY 2003
 (10 Mo.)

\$0	\$0	\$0
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FISCAL IMPACT - Small Business

A direct fiscal impact could be expected to those small businesses that would now qualify as part of an enterprise zone.

DESCRIPTION

One of the criteria for qualifying as an enterprise zone for areas not located within a metropolitan
DESCRIPTION (continued)

statistical area is a maximum population limit of 20,000 inhabitants. This proposal increases the

L.R. NO. 2499-01
BILL NO. HB 1483
PAGE 4 OF 4
February 8, 2000

maximum population limit to 25,000 inhabitants for these areas.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
February 8, 2000